PRIVATE BOYCOTTS VS THE NATIONAL INTEREST

"The intimate engagement of peaceful trade, over a period of time, can influence Eastern European societies to develop along paths that are favorable to world peace. After years of careful study, the time has now come for us to act, and act we should and act we must. With these steps, we can help gradually to create a community of interest, a community of trust, and a community of effort. Thus will the tide of human hope rise again."

President Lyndon B. Johnson
The White House, May 3, 1966.

PREFACE

At the direction of the President, Secretary of State Dean Rusk on May 11, 1966, sent to the Congress proposed legislation to provide the President with authority necessary to negotiate commercial agreements with the Soviet Union and other Communist nations of Eastern Europe to widen United States trade in peaceful goods, when such agreements will serve the interests of the United States.

"This authority is needed, the Secretary stated in his letters of transmittal, "so that we may grasp opportunities that are opening up to us in our relations with the Soviet Union and the countries of Eastern Europe. It is needed, at a time when we are opposing Communist aggression in Viet-Nam, in order to carry forward the balanced strategy for peace which, under four Presidents, our country has been pursuing toward the Communist nations. It is needed to play our part with the NATO nations in reducing tensions and establishing normal and lasting peaceful relations between the West and East in Europe."

THE CHOICE WE MADE: TO EXPAND CONTACTS WITH EASTERN EUROPE —NOT TO ABANDON IT

The United States has been faced with a critical choice between two alternative lines of policy in dealing with Eastern Europe. The first was to assume that the Soviet Union and the countries under its domination after World War II constituted a permanent monolithic bloc—a bloc so cemented together that there was no hope of our developing mutually satisfactory relations with individual Eastern European countries. The consequence of such a policy decision would be to abandon the peoples and the resources of Eastern Europe.

The other course was to assume that the instinct for freedom runs strong in the hearts of men everywhere, and that by keeping alive and expanding our contacts with the peoples of Eastern Europe we could encourage their inherent national and individual aspirations and leave open to them a bridge to the West. This is the choice we made, and the history of Eastern Europe in recent years gives ample evidence that it was the right choice.

END OF MONOLITH OPENS OPPORTUNITIES FOR MORE CONSTRUCTIVE RELATIONS

We have three objectives in our overall policy toward international communism, each in its own way serving our goal of a peaceful and prosperous world.

The first is to prevent the Communists from extending their domain and to make it increasingly

costly, dangerous, and futile for them to try to do so. Our aid to the people of South Viet-Nam in opposing Communist aggression testifies to our determination to pursue that policy, as did our previous help in opposing such aggression in Greece, Berlin, Korea, and elsewhere.

The second is to achieve agreements or understandings which could reduce the dangers of a devastating war. For example, having achieved a Nuclear Test Ban Treaty, we continue to work for agreements to reduce armaments, with safeguards to insure compliance.

The third objective is to encourage trends within the Communist world making for evolution toward greater national independence, peaceful cooperation, and open societies.

Today there is no longer a monolithic Soviet bloc—nor is there a Sino-Soviet bloc. In this decade we have seen not only the falling out between Moscow and Peking but the assertion by the smaller countries of Eastern Europe, in varying degree, of their own policies. In this changed situation we have an opportunity for more constructive relations with Eastern Europe, including the Soviet Union. It must not be wasted. The goal of more constructive relations with these countries is not only ours but also that of our NATO allies. As the NATO communique of June 8, 1966, stated, "member countries are seeking further to improve relations between the peoples of Eastern Europe and Western Europe, and to diminish mutual suspicions and fears. They are convinced that further tangible results could now be obtained in the cultural, economic, scientific and technical fields."

THE BRIDGE OF TRADE

It is against this background that United States policy on trade with Communist countries must be viewed.

Over the past two decades we have selectively adjusted our policy to the changing situation in the Communist world. Where countries have shown a desire to increase their independence in guiding their own political and economic affairs and to broaden relations with the United States and other free countries—such as was the case in 1948 with Yugoslavia, in 1956 with Poland, and in 1964 with Romania—we have tried to open the way for increased trade in peaceful products with them for American firms.

But where countries follow aggressive policies, as is the case with Communist China, North Korea, and North Viet-Nam, we have banned all trade and financial transactions with them. The same holds true for Castro Cuba, although we allow occasional small shipments of medical supplies on humanitarian grounds.

And, of course, *in no case does our policy permit trade with Communist countries in war materials and other strategic items.* This strategic embargo is maintained not only by the United States, but also by our NATO allies and Japan.

United States policy for dealing with world communism has been pursued vigorously in the post-World War II period by all administrations, regardless of party.

In 1958 President Eisenhower made it clear that "the United States favors the expansion of peaceful

trade with the Soviet Union" and spoke of the importance of trade as a means of strengthening the possibilities for independent actions by the countries of Eastern Europe.

President Kennedy in October 1962 discussed the need for "policies which hold out eventual promise of freedom for the people who live behind the Iron Curtain.

"First, we need economic flexibility . . .," he said. "It is for this reason that I was disappointed by the amendment to the trade bill (Trade Expansion Act of 1962) which specifically discriminates against Polish goods. The Polish people press their government for independence. Our policy should be to hold out a helping hand to them and not to shut the door."

Subsequently, the provision President Kennedy objected to was amended by the Congress to permit continuation of most-favored-nation tariff treatment to Poland and Yugoslavia.

And President Johnson in December 1964 expressed our wish "to build new bridges to Eastern Europe—bridges of ideas, education, culture, trade, technical cooperation, and mutual understanding for world peace and prosperity." In June 1966 President Johnson repeated that "We will encourage every constructive enrichment of the human, cultural, and commercial ties between Eastern Europe and the West."

But while trade between Eastern Europe, including the Soviet Union, and Western Europe and Japan has grown vigorously in recent years, United States-Eastern European trade has expanded only slowly. In

1965, for example, Western Europe and Japan exported about $3.8 billion in goods to Eastern European Communist countries, excluding Yugoslavia, and imported almost $4.5 billion worth of products from them. For the same year, the United States exported only $139.2 million in goods to Eastern Europe and imported $137.5 million in products from that area.

What hampers the growth of peaceful trade between the United States and Eastern Europe and the Soviet Union?

There are a number of factors. In the first place, the United States does not have the traditional trade ties with Eastern European countries that many of the Western European countries have. The rigidities of the Communist state-controlled trading systems have inhibited exchanges with our system. Political issues and other outstanding differences have naturally cast a shadow over trade relations. Our trade with the Eastern European countries and the Soviet Union has also been limited by the inability of those countries to offer a wide range of goods which can compete on the American market. Another obstacle has been the attempts, mentioned above, by some Americans to exert pressure on their fellow citizens not to deal in or buy products coming from Eastern Europe. But a particularly important factor is that most goods from Eastern Europe, including the Soviet Union, are subject to much higher rates of duty than are applicable to goods from other countries.

EAST-WEST TRADE RELATIONS ACT

To overcome the tariff problem, the Johnson

Administration has proposed legislation that would give the President authority to use trade with Eastern European countries and the Soviet Union as a flexible tool in conducting our relations with these countries.

The main provision of the East-West Trade Relations Act would authorize the President to extend most-favored-nation tariff treatment to certain individual Communist countries when this is determined to be in the national interest. In other words, the President could apply the same duties to the individual Communist countries that are now applicable to all non-Communist countries. The authority could be exercised only in a commercial agreement with a particular country in which such tariff treatment would be granted *in return for equivalent benefits to the United States.*

The purpose of these commercial agreements would be both to facilitate individual business transactions and to afford the United States Government an opportunity to deal with individual Communist countries on a variety of matters in the context of periodic trade negotiations. Agreements made pursuant to the Act would set the framework for trade, but the trade itself—both exports and imports—would depend on decisions of individual firms.

MILLER COMMITTEE RECOMMENDATIONS

The proposed legislation is based upon recommendations by a distinguished committee of American business, labor, and academic leaders. This special committee, appointed by the President, made its proposals after it had explored all aspects of the question

of expanding peaceful trade in the context of the President's policy of broadening constructive relations with the countries of Eastern Europe and the Soviet Union. The Committee, headed by J. Irwin Miller, Chairman of the Board of the Cummins Engine Co. of Indiana, stated in conclusion:

". . . we emphasize that these findings and recommendations constitute a long-term strategy.

"The intimate engagement of trade, over a considerable period of time, when taken with the process of change already under way, can influence the internal development and the external policies of European Communist societies along paths favorable to our purpose and to world peace. Trade is one of the few channels available to us for constructive contacts with nations with whom we find frequent hostility. In the long run, selected trade, intelligently negotiated and wisely administered, may turn out to have been one of our most powerful tools of national policy."

Most Americans have appreciated the difficulties and complexities with which their government has had to cope in its policy toward international communism. They have realized that in a world of swift and ceaseless change the issues are rarely all "black" or all "white." They have understood that there often are varying shades of gray in foreign affairs and that this is particularly evident in our relations with Eastern Europe and the Soviet Union. They have realized that our policy must be flexible enough to permit the United States to exploit new situations in its own interest and that of the peoples of those countries.

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A MINORITY SEEKS TO EQUATE TRADE WITH A "SELLOUT" TO COMMUNISM

For some, however, the vexing and explosive problems we face around the world can be explained only in terms of our alleged weakness in the face of Communist challenges. This attitude reflects an unrealistically simple view of the Communist countries, ourselves, and the rest of the world. And it is in large part at the root of the efforts of some Americans to exert pressure on their fellow citizens not to use products coming from Eastern European countries. This small group has tried to label our moderate, peaceful trade with Eastern European countries as a "sellout" to communism. Over the years, they have used picketing, and boycotts, and threats to discourage American merchants from handling, and American consumers from buying, Eastern European goods, and they have pressed for legislation and local ordinances barring the sale of "Communist" products.

Eastern European countries cannot, however, really be injured by the harassment of American businessmen and consumers who choose to buy their products. They can develop other markets for their exports, particularly in Western Europe. The only party hurt by these efforts is the United States. Losing business opportunities in normal commercial trade means loss of jobs and loss of income to our workers, our businessmen, and our farmers. Our balance of payments also suffers. And interfering with this trade deprives Americans of free choice in the market place. To the extent that we deny the Eastern European countries the possibility of expanding their trade with the United States, we also restrict their efforts to reassert their national independence and handicap our ability to develop cultural and other useful relations.

The unanimous evaluation of the United States Government, including its intelligence community, is that our refusal to trade in peaceful goods cannot meaningfully limit the military power of the Soviet Union and the Eastern European countries, but it *can* help to reinforce their doctrinal belief in the need for self-sufficiency. A willingness to trade, on the other hand, would be concrete evidence of our belief in constructive and peaceful relations.

It is reasonable to assume that there are possibilities for expanding our trade with the Soviet Union and the countries of Eastern Europe in peaceful goods beyond the present level. This would, of course, mean additional employment for American labor, increased sales for American businessmen and farmers, and less strain on our balance of payments through larger exports. But most important would be the opportunities provided by the many close relationships normally growing out of trade for encouraging the development of these countries toward more emphasis on consumer needs and peaceful relations with the rest of the world.

A POSITIVE PROGRAM AGAINST COMMUNISM

President Kennedy recognized the importance of a positive program against communism. At a news conference on December 12, 1962 he was asked whether he shared the view that boycotts of "stores which carry

imports from Iron Curtain, so-called Iron Curtain countries—and in some cases intimidating the stores . . ." are "contrary to our policy of encouraging nonstrategic trade with those countries."

President Kennedy replied:

". . . I think that it harasses merchants and I don't think it really carries on much of an effective fight against the spread of Communism. If they really want to do something about the spread of Communism, they will assist the Alliance for Progress, for one thing, or they will . . . do a good many other things . . . they will be generous to students who come to the United States to study, and show them something of America. Those are the things that really make a difference. . . . because some merchant happens to have Polish hams in his shop, saying he is unpatriotic doesn't seem to me to be a great contribution in the fight against Communism."

YUGOSLAV TOBACCO

Last fall, a particularly emotional campaign was undertaken by some groups against the use of a small amount of Yugoslav tobacco in American cigarettes. These groups insisted that the tobacco companies concerned use "Communist" tobacco and thereby support the evils of communism.

Tobacco grown in Yugoslavia is of the "oriental" variety not grown in the United States. It is used as a blend to improve the taste of cigarettes but is not a major component. In 1964, for example, Yugoslav tobacco represented less than 1 percent of all tobacco used by American cigarette manufacturers. (Incidentally, more than 90 percent of this Yugoslav tobacco is produced by small individual landowners, not by state-owned enterprises.)

United States manufacturers also sell cigarettes to Yugoslavia, marketing 189 million there in 1965.

The maintenance of normal relations with Yugoslavia especially is important to the United States. That country stands as an example to all Communist countries that they can pursue a course of independent action and need not accept Soviet or Chinese domination. Any action to reduce legitimate and beneficial trade between the United States and Yugoslavia only serves to weaken the latter's ties with the community of free and friendly nations. And it would be self-defeating for American citizens to boycott Yugoslav goods after the United States has spent $2.5 billion to help Yugoslavia maintain its independent stand.

STATEMENT OF THE CIGARETTE MANUFACTURERS

Commendably, in the face of this anti-Yugoslav campaign, U.S. tobacco companies refused to be intimidated. Joining together, they issued the following statement:

"Certain cigarette manufacturers in the United States have recently received inquiries regarding the use of Yugoslav tobacco in their cigarettes and have been threatened with boycott unless each of such firms

now using Yugoslav tobacco agrees not to use such tobacco in the future.

"On the September 26 'Face the Nation' program, Under Secretary of State George Ball was questioned about a similar situation. He was asked what the administration's position is on the problem of attempts by certain groups in this country to boycott the shipment of American goods to Eastern Europe. In replying, Secretary Ball pointed out that the policy of the United States with regard to trade with Eastern Europe is not merely a decision by this administration but by the Eisenhower and other recent administrations, and further said:

> It is absolutely unacceptable that right wing or left wing or any other kind of group should by intimidation or by threat of boycott try to subvert or to undermine the foreign policy of the United States, which has to be conducted by the President and Congress under the American Constitution.

"All the major cigarette manufacturers endorse Secretary Ball's statement. They condemn and refuse to be influenced by any effort by any group to oppose or affect the foreign policy of the United States by economic sanctions, including boycott, directed at the industry or any member of it.

"Yugoslav tobacco is used in varying quantities in the manufacture of cigarettes by all but one of the undersigned manufacturers. However, each of the undersigned manufacturers recognizes the right of its competitors to use such tobacco and reserves the right

itself to use or not to use such tobacco in accordance with its own best judgment.

"The American Tobacco Company
Brown & Williamson Tobacco Corporation
Liggett & Myers Tobacco Company
P. Lorillard Company
Philip Morris Incorporated
R. J. Reynolds Tobacco Company"

LETTER OF THE SECRETARIES OF STATE, DEFENSE, AND COMMERCE

On October 11, 1965, the Secretary of State, the Secretary of Defense, and the Secretary of Commerce announced their support of the manufacturer's position in the following letter:

"The American Tobacco Company
Brown & Williamson Tobacco Corporation
Liggett & Myers Tobacco Company
P. Lorillard Company
Philip Morris Incorporated
R. J. Reynolds Tobacco Company

"Dear Sirs:

"It has been called to our attention that certain organized pressure groups are seeking, by economic intimidation, to compel American cigarette companies to discontinue the purchase of Yugoslav tobacco. This incident is the most recent in a series of similar attempts by such groups to frustrate peaceful private trade with Eastern European countries. We feel it important that you understand the views of the United States Govern-

ment on this subject, and that these views be given the widest dissemination.

"Under our American system, trade is governed by the individual economic interests of the trading parties. Congress and the Executive Branch have provided laws and regulations to assure that nothing is traded with any Communist country that will be detrimental to our national security and welfare. In the case of certain countries, such as Communist China, Cuba, North Korea, and North Viet-Nam, trade is—with minor humanitarian exceptions—prohibited.

"On the other hand, your Government regards commerce in peaceful goods with the countries of Eastern Europe, including the Soviet Union, as completely compatible with our national interest. No American business enterprise should be penalized for purchasing

ment that must direct the relations of the United States with other nations. Our Constitution entrusts the President and the Congress with the conduct of United States foreign affairs.

"These principles directly apply to the campaign of economic intimidation now being mounted against your industry. The importation of Yugoslav tobacco, which constitutes less than one percent of all tobacco used in American cigarettes, is entirely consistent with our national security. The right of American business enterprises to purchase this tobacco on the basis of their freely-exercised judgment as to the economic desirability of such a course—without fear of reprisals—should be fully preserved if the objectives of our foreign policy are not to be undermined by the whim or prejudice of any organized pressure group.

or selling such goods. In fact, any individuals or groups that seek to intimidate, boycott, blacklist, use or threaten economic reprisals against such American enterprises for carrying on lawful trade with Eastern European countries act harmfully and irresponsibly. To yield to such groups is to encourage capricious interference with the vital processes of our Constitutional Government—interference that could at the end of the road make it impossible for our country to conduct a coherent foreign policy.

"Americans know that there are recognized and responsible ways by which they may object to any governmental policy with which they disagree. Every citizen has the Constitutional right to speak freely, to petition his government for redress of grievances and to exercise the franchise. But it is the Federal Govern-

"We are advised that the cigarette industry, after consultation with the United States Government, has condemned these threats of intimidation and has announced its intention to continue to purchase or not to purchase Yugoslav tobacco on the basis of individual judgments. We commend your industry for refusing to submit to such intimidation, which would have the effect of substituting private opinions and prejudices for the declared foreign policy of the United States.

DEAN RUSK
Secretary of State

ROBERT S. MCNAMARA
Secretary of Defense

JOHN T. CONNOR
Secretary of Commerce"

CONCLUSION

All American citizens should know that any American businessman who chooses to engage in peaceful trade with the Soviet Union or Eastern European countries and to sell the goods he buys is acting within his rights and is following the policy of his government. So, too, is any American citizen who chooses to buy such goods. Everyone should also know that state laws or municipal ordinances purporting to forbid or restrict sale of such goods, or to require that signs be posted proclaiming that imported goods are on sale, or to require payment of special fees, are contrary to the policy of their government. Moreover, in cases where such laws and ordinances have been challenged, the courts consistently have held them to be illegal.

In introducing, with Senator Mike Mansfield of Montana, the East-West Trade Relations Act in the Senate on May 17, Senator Warren G. Magnuson of Washington said:

"The President believes, and I share his belief, that a broad and continuing exchange of nonstrategic goods and technology between East and West raises the stake of the individual Eastern European countries in stable East-West relations and inevitably acts as a damper upon the appetite of the bloc for aggressive adventures . . .

"Expanded East-West trade also leads to greater contact and understanding of both Western institutions. Because we are convinced that our economic and political institutions are best designed to satisfy the universal rising tide of expectations, we expect these contacts to stimulate the increasing economic liberalization of the internal economies of Eastern Europe."

Attempts to coerce American consumers have not stopped. Any citizen may properly exercise his constitutional right to speak freely. But any organization, however patriotic in intention, that undertakes to boycott, blacklist, or otherwise penalize or attack any American business for engaging in peaceful trade with Eastern European countries or the Soviet Union, is acting against the interests of the United States.

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